Thatcher's Revolution: Deregulation and Political Transformation

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Essay

Thatcher’s Revolution: Deregulation and Political Transformation

Clint Bolick†

As Prime Minister, Margaret Thatcher was responsible for the greatest period of deregulation in modern British history. In this Essay, Clint Bolick examines how Thatcher engineered this phenomenal transformation. In doing so, he draws lessons from the British experience for deregulatory innovation elsewhere.

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Introduction

Margaret Thatcher presided as prime minister over arguably the greatest national transformation to occur in a half-century without a change in the form of government. She replaced an increasingly socialist economy with free enterprise, re-igniting engines of productivity that had grown rusty from decades of state ownership and control. More significantly, she replenished the spirit of a once-great nation that had fallen into the throes of complacency and despair.

Thatcher has been out of office for five years, and she might not win a popularity contest in Great Britain if one were held today. The same iron-willed determination that made it possible for her to usher through the most sweeping reforms in modern British history also alienated her from many voters—though respected by everyone, Thatcher did not inspire affection in all quarters.

Yet her legacy remains intact: socialism seems permanently vanquished, a new generation of Conservatives plans further advances against the welfare state, and even the opposition Labour Party now concedes basic premises about the virtues of markets and individualism—premises that were heretical a scant sixteen years ago. Whatever judgment her contemporaries may pass upon her, history no doubt will assign Margaret Thatcher status as one of the twentieth century’s great revolutionaries.

Though all revolutions are ultimately unique in their historical circumstances, lessons of more general applicability may be extracted from them and put to use carefully in other contexts. Thatcher’s experiences are instructive for those seeking to bring about fundamental economic and social change. This Essay will examine the challenges she faced, the principles and strategies she used to meet them, and the application of those principles and strategies to her particular circumstances. I shall then assess the results of her efforts, and synthesize some broadly applicable lessons from the Thatcher Revolution.

1. Mrs. Thatcher was elected prime minister in May 1979, and resigned on November 28, 1990.
2. Shortly after her resignation, polls found that 74% of British respondents agreed that Thatcher should have resigned, while 26% believed she should have stayed on. Yet by a 59%-34% margin, they concluded on balance that Thatcher was good for Britain. 26% rated Thatcher the greatest post-World War II prime minister (second only to Winston Churchill, who garnered 35% of the vote). Major Movement in Britain?, AM. ENTERPRISE, Jan./Feb. 1991, at 97.
I. The Stuff of Revolutions

The word "revolution" is cast about almost casually these days—and any time a word is overused, its currency is reduced. So when I use the term "revolution" to describe Margaret Thatcher's eleven and a half years as prime minister, I want to do so with clarity and precision. Obvious measures such as public opinion polling and economic indicators, while important, are often superficial and fleeting. A real revolution is systemic and enduring. With that in mind, I offer the following criteria against which the success of a social, economic, or political revolution might be measured:

(1) The extent to which the relationship between the individual and the state, as well as the individual's way of thinking about that relationship, are fundamentally changed.
(2) The extent to which the revolution institutionalizes itself, taking hold in the hearts and minds of the people, and shifts the very terms and center of the debate, so that a return to the status quo ante is impossible.
(3) The extent to which ideas and changes that were previously unthinkable are now possible, and a new generation of thinkers and leaders is inspired to pursue those ideas.

In these terms, as the following pages will show, the Thatcher regime holds up well as one of the great revolutions of modern times.

II. Stark Challenges

The Great Britain Thatcher encountered when she assumed the position of prime minister in 1979 was morally dispirited and mired in economic quicksand. Its nationalized industries were bloated and inefficient, demanding ever-heavier public subsidies because of declining productivity. The country was wracked by constant labor turmoil, with violent strikes and long interruptions of essential services. Massive portions of the British population were dependent on the state for their housing, education, and livelihoods; those engaged in productive pursuits were saddled with a crushing tax burden. Most distressing of all was that many Britons seemed resigned to accept this as the permanent state of affairs.

That year inflation raged at eighteen percent, and minimum lending
rates were seventeen percent. The British pound sank to one-twentieth the purchasing power it had forty years earlier. Tax rates on earned income ranged up to eighty-three percent. The public sector played an ever-larger role in British life: of the 25 million people who were employed, 29.3% worked for government or nationalized industries. Public sector corporations had accumulated debts of £27 billion (£55 billion measured in 1990 pounds sterling). This debt grew ten percent the next year, and these corporations absorbed £4.6 billion in taxpayer subsidies that same year. Meanwhile, nearly a third of all housing units were rented from public agencies.

Regardless which party was in power, industrial policy was made informally during discussions over “beer and sandwiches” at Number 10 Downing Street, among representatives of the Trade Unions Congress, the Confederation of British Industry, and the government, whose decisions were ratified by Parliament. Labor unions held a tight grip over the country; indeed, fifty-five percent of all workers were members of labor unions. By 1979, the number of days lost to strikes had grown eight to nine times compared to the years just before World War II, and massive annual wage increases had fueled inflation.

Against this dismal status quo the Conservative Party had proved impotent. It began to abdicate its free enterprise principles even before the end of World War II, when the Tory Reform Committee called for government management of the economy as the means to bring the “old tug of war between capital and labour” to “a happy draw.” The party’s manifesto embraced the Industrial Charter, which endorsed nationalization of major industries, the expansion of a social welfare state, and massive public spending.

A succession of alternating Labour and Conservative governments produced what Keith Joseph called a “socialist ratchet.” As Thatcher explains in her autobiography, “Labour moved Britain towards more statism; the Tories stood pat; and the next Labour Government moved the country a little further left. The Tories loosened the corset of socialism; they never removed it.” The movement toward ever-larger government
Thatcher's Revolution

seemed inexorable.

The 1970 election seemed to mark a turning point, as surprise Conservative victor Edward Heath promised to “change the course and the history of this nation.” Though he initiated some deregulation, labor unrest and economic instability led to a “U-turn” during 1971-72, in which the government engaged in sweeping economic intervention including nationalization of the Rolls-Royce aero-engines division; subsidies to other failing industries; and controls on wages, prices, and dividends. As historian Hugo Young recounts, this U-turn “became a seminal event in the history of late-twentieth-century conservatism.” It “took on the status of a demon,” personified by Heath, who was viewed as having “surrendered his belief to short-term expediency, cav[ed] in to pressure he should have resisted, and betray[ed] the principles on which the election had been fought and won.” In any event, the actions failed to reverse Heath’s fortunes, and he was swept from power in 1974.

The Labour Party, though, fared little better, ruling for five tumultuous years that culminated in a series of destructive strikes during the “winter of discontent” of 1978-79. That spring, Margaret Thatcher, the woman who a few years earlier had ousted Heath as opposition leader, replaced James Callaghan as prime minister. A shopkeeper’s daughter trained in chemistry and law and first elected to Parliament in 1958 at age thirty-two, Thatcher had served fairly inauspiciously as Secretary of State for Education and Science in the Heath government, where her main claim to fame was the axing of “free” milk for every child in school—hence the nickname “Margaret Thatcher—Milk Snatcher.”

Hugo Young characterizes her ascension to the party chairmanship in 1975 as “a mistake that should never have happened”: the party was thirsting for an outsider who could make a break from the failed politics of the recent past. Boldly throwing her hat into the ring, Thatcher did not campaign as revolutionary; yet as a woman and one who had never served in the inner sanctum, Thatcher was positioned fill the political vacuum. Though little in her background hinted at what was to come, the confluence of her remarkable leadership qualities, the dire economic conditions, and a carefully-drawn tactical framework thrust the new prime minister into the role of modern revolutionary.

12. YOUNG, supra note 3, at 66.
13. Id. at 75.
14. See id. at 100-01.
III. The Seeds of Revolution

A major distinction between Edward Heath and Margaret Thatcher, both elected on platforms calling for radical change, was that Thatcher had, in the words of one observer, “the backing of an intellectual revolution.” The Thatcher Revolution traced its genesis to 1957, with the founding of the Institute of Economic Affairs (IEA), a classical-liberal think-tank, by Sir Antony Fisher, Britain’s Frank Perdue. IEA commissioned papers on such wide-ranging issues as rent control, education, pollution, and social services. As historian Shirley Robin Letwin recounts, “Writers were directed to examine everything ‘ab initio’ and without regard to what is ‘politically possible’.”

Following two disastrous election defeats in 1974, many in the Conservative Party immersed themselves in soul-searching. As Hugo Young describes it, “Philosophy was the word. What first ensued was an examination of ideas. . . . What they were anxious to establish . . . had more to do with first principles than specific policies.” Thatcher’s close friend and intellectual mentor, Sir Keith Joseph, introduced her to the IEA, and she found there and in the works of Friedrich Hayek, Milton Friedman, James Buchanan, and other free-market economists what she was looking for. “We must have an ideology,” she remarked. “The other side have got an ideology they can test their policies against. We must have one as well.”

Joseph and Thatcher launched the Centre for Policy Studies to develop policy alternatives based on market principles, and the new think-tank assumed a leading role in development of Conservative Party policies. As Hugo Young observes, the prominence of intellectuals in Thatcher’s inner circle “was testimony to an attempted revolution of the public mind.” Thatcher was “not herself an intellectual,” Young remarks, for her mind was suited “not to the pondering of problems but to the discovery of solutions.” This combination of bold, new ideas and the

15. Id. at 79.
16. Classical liberalism embraces a free-market economy and the belief that the state exists to protect the inalienable rights of individuals.
17. The role of the IEA and other think-tanks is examined in Richard Cockett, Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution, 1931-1983 (1994).
18. Letwin, supra note 4, at 81.
19. Young, supra note 3, at 102.
20. See id. at 86-87.
21. Id. at 406-07.
22. See id. at 86.
23. Id. at 407-08.
means of implementing them appeared just what the party needed in the elections of 1979.

IV. Simple Truths

Margaret Thatcher was able to synthesize these intellectual foundations into essential themes that spoke to the crises facing the British people. As Young observes, Thatcher “established herself as a leader, with a philosophy [that] most people could understand.” This allowed Thatcher to bypass an often hostile press and take her populist message directly to the people.

For Thatcher, the task was simple, yet vital: “It was the job of government to establish a framework of stability—whether constitutional stability, the rule of law, or the economic stability provided by sound money—within which individual families and businesses were free to pursue their own dreams and ambitions.” She tested these themes at her first party conference as opposition leader:

Let me give you my vision: a man’s right to work as he will, to spend what he earns, to own property, to have the state as servant and not as master: these are the British inheritance. They are the essence of a free country, and on that freedom all our other freedoms depend.

Her analysis of the condition in England was keen, guided as it was by the insights of her closest advisor, Keith Joseph. Joseph, in assessing Heath’s electoral defeat in 1974, had concluded that the Conservative government had failed to break out of the socialist mold established by its post-war predecessors: “For thirty years, the private sector of our economy has been forced to work with one hand tied behind its back by government and unions.” No longer would that be the case. First and foremost, Thatcher vowed to put an end to tripartite policymaking over beer and sandwiches. “Why should there have been such meetings?” Thatcher later asked. “I took the view that it was not for government, business, and the unions to sort everything out. That was the task of the government and Parliament.”

24. Id. at 102.
25. THATCHER, supra note 11, at 14.
26. YOUNG, supra note 3, at 103-04.
27. Id. at 78.
That meant re-establishing a rule of law, a theme Thatcher emphasized constantly. "There can be no freedom without law," Thatcher declared, "there can only be the power of the strong to oppress the weak."\(^{29}\) And it meant giving people greater control and responsibility over their lives.

This message resounded among many in Britain who, as Letwin observes, had come to believe "there was indeed a British disease, a malignancy that needed removal, a malaise that needed a cure."\(^{30}\) Thatcher identified the root cause as socialism. "Britain and socialism are not the same thing," she declared, "and as long as I have health and strength they never will be."\(^{31}\)

Thatcher bluntly repudiated the politics of the past. When asked if her call for housing privatization could be placed on the table in the interest of coalitionism, she replied, "No. My policies are not negotiable."\(^{32}\) When Heath demanded a return to consensus politics, Thatcher asserted that consensus could be achieved only by "abandoning all beliefs, principles and values. . . . Whoever won a battle under the banner 'I Stand for Consensus'?"\(^{33}\)

Thatcher's populist message of patriotism and pocket-book economics enabled the Conservative Party to make major inroads among working-class voters.\(^{34}\) Although winning a fairly slender but working parliamentary majority of forty-three, Thatcher had managed through her clear statement of principles to establish a governing mandate. The election "was not a routine political shift but the assembling of a critical mass of popular support behind the Thatcherite appeal for radical change," writes Hugo Young. "This time, not only a Labour government but socialism itself seemed to have been comprehensively defeated."\(^{35}\)

V. Inflation, Taxes, and the Rule of Law

"The only really important thing," the new prime minister said to Cecil Parkinson, party chairman and cabinet minister under Thatcher, "is

\(^{29}\) Id. at 9.
\(^{30}\) LETWIN, supra note 4, at 89.
\(^{31}\) YOUNG, supra note 3, at 103-04.
\(^{32}\) Id. at 90-91.
\(^{33}\) Id. at 224.
\(^{35}\) YOUNG, supra note 4, at 136.
to do what you said you’d do.”36 The first step was to gain control over the government. Parkinson sized up the challenge:

The bureaucracy picked up very quickly that things were going to happen, and that they were wasting their time trying to defend the indefensible. You’ve got to establish very early on that that is your position, because otherwise they will prevaricate, they will delay, they will block, in the happy assurance that you’re a bird of passage—you come, you go, they go on forever. And so this specific commitment—the knowledge that whatever you say is going to happen—is absolutely essential. If you don’t, we’re back to the inertia of the status quo.37

Thatcher from the beginning demonstrated her resolve. Thatcher acted immediately in the 1979 budget to cut taxes, slashing the standard rate from thirty-three percent to thirty percent, and the top rate (which she decried as a “symbol of British socialism—the symbol of envy”) from eighty-three percent to sixty percent, the first of several reductions. She cut public spending by three percent.38 Thatcher also moved quickly to curb regulations of the economy, ending wage, price, and dividend controls; curtailing other central planning devices and controls on currency exchange;39 and establishing enterprise zones.40

However, the main mechanism to increase the spending power and protect the savings of the British people was to curb inflation. As Letwin explains, while all governments prefer low inflation, for Thatcher it was a “central belief” that halting inflation would promote independence in individuals.41

Fueling worldwide inflation were soaring oil prices. Several countries, recalls Thatcher, responded by printing money in the hopes of staving off recession and unemployment. “We had seen in Britain that inflation was a cause of unemployment rather than an alternative to it, but not everyone had learned that lesson.”42 In the United States, President Jimmy Carter, whom Thatcher describes as having “an unsure handle on economics and

36. Interview with Lord Cecil Parkinson, in London (October 15, 1993). Lord Parkinson served Thatcher as party chairman, Trade and Industry Secretary, Energy Secretary, and Transportation Secretary.
37. Id.
38. YOUNG, supra note 3, at 148. Unfortunately, to pay for the income tax cuts, she nearly doubled the Value Added Tax. Id.
39. THATCHER, supra note 11, at 43-44.
40. Id. at 95.
41. LETWIN, supra note 4, at 128.
42. THATCHER, supra note 11, at 67.
... inclined to drift into a futile ad hoc interventionism when problems arose,"\textsuperscript{43} imposed a "windfall profits" tax and controls on oil prices. Thatcher instead insisted at a 1979 G7\textsuperscript{44} meeting in Tokyo that an unfettered price mechanism was the best way to control consumption and inflation, a position with which only the Germans agreed.\textsuperscript{45}

Back at home, Thatcher's top priority was to curb inflation by reining in the money supply. In her 1979 and 1980 budgets, Thatcher slashed public spending and borrowing, and established strict limits on medium-term monetary growth.\textsuperscript{46} The results were painful: by the end of her second year, her government had presided over both the largest collapse in industrial output since 1921 and a massive rise in unemployment.\textsuperscript{47} Conditions were so dire that several Cabinet members called for increased public spending to relax the recession. When asked her intentions by John Hoskyns, a key economic adviser, she replied, "You know, I would rather go down than do that, so forget it."\textsuperscript{48} At a tumultuous party conference, she answered calls for a U-turn with the dramatic admonition, "Turn if you like. The lady's not for turning."\textsuperscript{49}

Instead, Thatcher unveiled a budget with huge public spending cuts. When a majority of her cabinet opposed the plan, Thatcher responded by sacking several ministers.\textsuperscript{50} The government neared collapse, with Thatcher registering in December 1981 a twenty-three percent approval rating, the lowest in polling history.\textsuperscript{51} Only her comfortable margin in Parliament, and her decision to fire dissenting ministers before they could plot a leadership coup against her, kept Thatcher in office.

Thatcher's steadfastness paid off. By the winter of 1981-82, the recession began to ease.\textsuperscript{52} By maintaining a steady monetary policy, inflation was reduced to six percent in 1985 (and to an even lower rate thereafter), government borrowing was brought under control, unemployment and interest rates fell, and economic growth climbed at a stable annual rate of three percent.\textsuperscript{53} Meanwhile, she had established herself as the unquestioned leader of the Conservative government. Throughout

\textsuperscript{43} Id. at 68.
\textsuperscript{44} G7, or the Group of Seven, is comprised of seven major industrial nations and meets for purposes of conferring on economic policies.
\textsuperscript{45} THATCHER, supra note 11, at 69-70.
\textsuperscript{46} Id. at 49-56, 95-97.
\textsuperscript{47} YOUNG, supra note 3, at 232-33.
\textsuperscript{48} Id. at 211.
\textsuperscript{49} Id. at 209.
\textsuperscript{50} See id. at 218-22.
\textsuperscript{51} Id. at 241.
\textsuperscript{52} See id. at 245.
\textsuperscript{53} LETWIN, supra note 4, at 121-23.
her tenure, Thatcher would preside over divided cabinets, resisting constant calls that she change course. However, that same decisive leadership that the party elite sometimes disdained earned her enduring support among the Conservative rank-and-file in Parliament.

Meanwhile, Thatcher had to restore order on the labor front. Since a majority of voters were union members, confrontation with the unions was considered politically suicidal. Lord Tebbit, one of the principal architects of Thatcher’s union policies, recalls that

> [i]t was assumed that she would have to reach some *modus vivendi* with the trade union leaders in order to be able to govern... Heath had been brought down by the trade unions, [as had] Callaghan... And so it seemed extraordinary that this woman would suggest that she could beat them.\(^{54}\)

Thatcher, though, had perceived that the unions had vastly overplayed their hand. As Letwin observes, there was “widespread and deeply felt public demand to be liberated from a tyranny which, apart from its effects on employees, had made it impossible for Britons to know from one day to the next what stoppage would produce chaos in their daily life.”\(^{55}\)

Thatcher began with systematic reform legislation designed to release both workers and consumers from union tyranny. Between 1980-86, the government all but abolished the “closed shop,” restoring the voluntary nature of union membership, and it imposed democratic procedures for reaching union decisions, created safeguards against union corruption, limited immunity from damages during strikes, and curbed secondary boycotts. “Taken together,” Letwin notes, “these changes tended to transform unions by loosening their monolithic structures... and to reshape them as once again voluntary associations of independent-minded individuals.”\(^{56}\)

But the unions would not easily cede power, and they relentlessly challenged the government. In 1980, Thatcher responded to a strike at British Steel with a vow to fight to the end. Though ultimately she agreed to generous raises after the thirteen week strike, Thatcher’s tough rhetoric established what she deemed a “demonstration effect” that galvanized public support for later confrontations.\(^{57}\)

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55. *LETWIN, supra* note 4, at 157.
56. *Id.* at 146.
An epochal clash came shortly after the 1983 general election, in which Thatcher won an increased parliamentary majority in the wake of the Falklands War. She prepared to face down the Marxist head of the National Union of Mineworkers, Arthur Scargill, by stockpiling coal reserves and closing excess mines. Scargill responded with strikes and violence in an effort to bring the government to its knees. Thatcher was resolute. “There is no week, nor day, nor hour when tyranny may not enter upon this country, if the people lose their supreme confidence in themselves, and lose their roughness and spirit of defiance.”58 Thatcher angrily denounced the Labour Party for allying itself to “the wreckers against the workers.” As for its leader, Neil Kinnock, Thatcher declared: “[T]here is only one word to describe his policy when faced with threats from home or abroad, and that word is appeasement.”59

In the midst of it all, a bomb aimed at killing the prime minister was detonated by the Irish Republican Army at the hotel where Conservative leaders were staying for the party conference. Several were killed or injured, but Thatcher appeared with greater calm and determination than ever.60

The incident served to underscore the point she was trying to make on the labor front. After months of steely confrontation, Thatcher made a wage deal with the pit deputies' union, which enabled the mines to open with a makeshift workforce. Soon other miners streamed back to the mines, and the strike collapsed.61

Thatcher was seen widely to have stood up, once and for all, to the unions. As Hugo Young describes it, breaking the strike meant that “the revolution in attitudes towards trade unions . . . [was] nailed firmly into place.”62 Having taken on what others considered an unwinnable confrontation, Thatcher not only cemented her political power but also established a fundamental rule of law to which there would no longer be any exceptions.

VI. Unleashing Free Enterprise

One of the keys to Thatcher's success, Letwin writes, is the image she conveyed of “continuous revolution,” marked by a sense that there was always “so much more to be done.”63 Unlike the Reagan years in

58. See id. at 366-71.
59. Id. at 372.
60. See id. at 372-73.
61. See id. at 374.
62. Id. at 377.
63. LETWIN, supra note 4, at 41.
America, in which much of the steam of change dissipated by the second term, Thatcher constantly was looking to new frontiers. In her third year in office, before her first re-election, Thatcher appointed nine new policy committees to apply conservative solutions to areas beyond the government's initial focus, such as inner cities and families.64

In her political rhetoric, Thatcher focused more on general themes and principles than specific policy initiatives. For someone advancing a radical agenda, this approach was wise: once the broad mandate is created, the government has latitude to pursue policies that may themselves not be politically popular (such as privatization), but which will then have a chance to prove themselves. Launching her re-election campaign, Thatcher sounded the heady, forward-looking theme that would create her mandate for a second term: "This is a historic election. For the choice facing the nation is between two totally different ways of life. And what a prize we have to fight for: no less than the chance to banish from our land the dark, divisive clouds of Marxist socialism."65

The Conservatives triumphed in June 1983 with a majority of 144, the largest parliamentary majority since 1945.66 By demonstrating her resolve and by articulating clear and simple themes, Thatcher was able to claim as much a mandate for her second government as her first.

Still, it is easy to lose sight of core objectives, and Thatcher was wary of complacency. As she instructs,

the generalized approval is no match for the chorus of disapproval from the organized minority. The left-wing municipal socialists and their subsidized front organizations were astute campaigners, trained and adept at exploiting every weakness of presentation of the Government's case.67

The only successful antidote was to seize the offensive and maintain it. She reshuffled her Cabinet to bring in new ideas and energy, surrounding herself with imaginative thinkers and fellow revolutionaries, and boldly set forth on a new agenda.68

Much of Thatcher's renewed resolve applied during this period to reducing government's role in the economy. Early in her tenure, that had

64. See YOUNG, supra note 3, at 329. Thatcher notes that many of the policies developed during this time actually served as a policy blueprint for her third term. See THATCHER, supra note 11, at 279.
65. YOUNG, supra note 3, at 323.
66. THATCHER, supra note 11, at 304.
67. Id. at 305.
68. Id. at 306-12.
meant curbing centralized industrial policy and reducing taxing and subsidies, but as time went on it extended to more systemic changes in the role of government at every level. Thus observers such as Peter Morgan, director of an influential business group, the Institute of Directors, would say that of all her achievements, “the biggest success was the exposure of the economy to competition.”

At the level of central government, this entailed privatizing nationalized companies and public services. Although privatization hardly was mentioned in the 1979 campaign, it gradually emerged as a centerpiece of the Thatcher Revolution. For Thatcher discovered that privatization was more than an economic strategy; it was, as Letwin explains, a means “of changing both the reality and the perception of the relationship between government and the governed.”

The concept of “popular capitalism”—the “ownership of shares by the ordinary man”—was more “a matter of discovery rather than premeditation for Thatcherites,” Letwin observes. But once they discovered “the underlying social effects of privatization”—giving millions of citizens a stake in private enterprises—they pursued it tenaciously. At first the government approached the matter cautiously, selling companies such as British Aerospace in 1981. By 1986, the policy was in full swing, with the first privatization of a major public utility, British Telecom. Initially, the impetus towards widespread diffusion of share ownership was the desire to generate additional capital beyond that available from large investors. Hence, shares were made available at below-market value to employees and consumers. Madsen Pirie, co-founder of the Adam Smith Institute, explains the strategy:

You would think that if you have to sell eight percent of the shares at half price . . . that would cost money. Of course it doesn’t. It raises the value of the rest of the shares. Because a company that has workers owning shares is going to have less striking [and] better industrial relations.

The success of the British Telecom sale prompted other mass privatizations, including gas, electricity, water, steel, and coal. In each,
public opposition was intense initially, with fear stoked by unions and others with an interest in preserving the status quo. As Pirie recounts, however, Thatcher remained resolute: “They'll support it after it's succeeded.”

Shares were marketed aggressively not to major investors but to “Sid,” the prototypical average British share-purchaser featured in television promotions, and his five million friends. Privatization was accompanied by deregulation; in the case of electricity, for example, fixed prices that led to frequent service interruptions were replaced by supply-and-demand pricing. Other programs, such as stock equity plans, profit-sharing, and portable pensions, were part of the effort “to promote personal ownership as a matter of social policy.” Ultimately, explains Colin Robinson, the IEA’s editorial director, share ownership “gives people a stake in a capitalist economy.” Additionally, and not coincidentally, it increases the number of Conservative voters.

By 1986, popular capitalism was a key component of a broader program of individual empowerment. John Moore, a businessman and catalyst for privatization within the Cabinet, declared that

[o]ur programme . . . is directed towards three key areas of life: homes, work-places and the wider community. We are extending home ownership, increasing employee participation in the ownership of their companies and spreading the ownership of public companies to millions of ordinary people. . . . Possession means power, the kind of power that matters to ordinary people—power to make choices, power to control their own lives. Our aim is to extend this power to as many people as we can.

Along with privatization and deregulation at the level of central government, Thatcher sought to accomplish the same ends at the local level. Unlike many American conservatives who harbor nostalgic affection

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75. Interview with Madsen Pirie, supra note 73.
76. LETWIN, supra note 4, at 101.
77. Id. at 100.
78. Id. at 103.
79. Interview with Colin Robinson, supra note 72.
80. The overwhelming majority of first-time share buyers voted Conservative, by a 53% to 14% margin over Labour. See Marsh, supra note 74, at 476.
81. LETWIN, supra note 4, at 102.
for the bygone era of small-town democracy, Thatcher viewed virtually all local governments as bastions of socialism, dominated by labor unions and exercising control over education, property, and essential public services. She slashed their power relentlessly. In 1980, the Local Government Planning and Land Act gave the Secretary of State authority to force local governments to sell unused or underused property; over six years, enough land was sold to enable developers to build 52,000 homes. Other measures abolished local transit monopolies, forced local governments to contract out services, and prohibited them from interfering with competition.

The cornerstone of local privatization, however, was the sale of government-owned housing, which transformed hundreds of thousands of renters into property owners. Again, says Letwin, the policy "is not merely, or even principally, an economic policy. It is a social policy designed to give erstwhile tenants a new-found sense of independence and self-sufficiency."

The plan allowed tenants who had rented their units for at least three years to purchase them at two-thirds of market value, with additional credit for longer tenancies. The owners had to repay the discount if the units were sold within five years. In sum, over one million families purchased their homes, transforming them from welfare clients into mortgage payers. Between 1978 and 1985 the percentage of privately-owned housing stock increased substantially. Since party affiliation in Britain frequently divides along property lines, housing privatization also created a new generation of Conservative voters.

Education also provided a focus for Thatcher's deregulatory reforms. By 1979, ninety-three percent of British children attended government schools. In the 1970s, the Labour government had abolished many of the academically excellent grammar schools and had herded nearly all the nation's students into homogenous comprehensive schools. By the late 1970s, the overall quality of British government education was dismal. Thatcher's aim was to reduce bureaucratic control over government

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82. For a critique of this view, see CLINT BOLICK, GRASSROOTS TYRANNY AND THE LIMITS OF FEDERALISM (1993).
83. LETWIN, supra note 4, at 179.
84. Id. at 178.
85. Id. at 103.
86. Id. at 179.
87. To the Victor These Spoils, ECONOMIST, Nov. 24, 1990, at 17, 19.
88. LETWIN, supra note 4, at 180.
89. Polling data showed a "major swing to the Conservatives between 1979 and 1983 among those who bought their council houses." Marsh, supra note 74, at 476.
90. LETWIN, supra note 4, at 228-36.
schools. She launched a modest school choice program that allowed families of limited means to send their children to independent schools.\footnote{Id. at 240-41.} Later she established open enrollment, with funding following each student; and she deregulated government-run schools, giving each school power over admissions and budgets.\footnote{Id. at 241-43. Curiously, she also centralized control over curriculum at every level of education, which was criticized by many of her conservative allies. Id. at 255-74. In her autobiography, Thatcher confesses error. While the “decentralising features” of her education policy were “extraordinarily successful,” she writes, with respect to the national curriculum, “I never envisaged that we would end up with the bureaucracy and the thicket of prescriptive measures which eventually emerged.” Thatcher, supra note 11, at 593.} As in other areas, these education reforms increased competition and expanded individual autonomy.

One of Thatcher’s primary means to restrict the power of local governments, though, helped lead to her downfall. After several years of study, Thatcher in 1990 introduced poll taxes (also known as “community charges”) as a new source of local government funds. Previously, local governments were funded by property taxes that were paid by only about half the population and redistributed from low-spending to higher-spending communities. The community charges were imposed on all adults, with rebates for low-income people, and were assessed in relation to the level of local government spending. The charges were intended to encourage fiscal restraint and accountability. However, by imposing new taxes on people who previously did not pay them, the program was widely unpopular and eventually repealed. Though the charges were consistent with the aims of the Thatcher Revolution, for once Thatcher had miscalculated and embraced a reform that ran counter to her ordinarily populist strategy.\footnote{For a discussion of the community charges and their political impact, see Thatcher, supra note 11, at 642-67, 848-49.} From this mistake Thatcher never recovered.

VII. Resisting the European Leviathan

Thatcher was an ardent free trader, and initially supported greater economic integration within Europe as a means of bringing down trade barriers. As the European Commission began unleashing a blizzard of regulations in the mid-1980s on matters ranging from construction standards to corporate taxation to professional licensing,\footnote{Letwin, supra note 4, at 286.} Thatcher fought back. “We must ensure that our approach to world trade is consistent with the liberalisation we preach at home,” she declared in a speech on European federalism at Bruges in 1988. “We have not successfully rolled back the frontiers of the state in Britain, only to see them...
reimposed at a European level, with a European super-state exercising a new dominance from Brussels. 95

Thatcher’s “Euroskepticism” was unpopular on both sides of the political divide since she was thought to be isolating Britain from the remainder of Europe. Many British citizens, and most of the leadership elite in both parties, were convinced that only a united economic front could enable Europe to compete with the United States and Japan on the trade front. Against this seemingly inevitable and beneficient development, Thatcher appeared a naysaying reactionary. Eventually her hostility toward the European Community led to major Cabinet resignations and contributed to her downfall. 96

Her warnings did prove prescient, though, as massive new regulations were imposed from Brussels. Both political leadership and public opinion subsequently have shifted toward greater skepticism about the benefits of European federalism and support for the concept of “subsidiarity,” the concept that decisions should be made at the level of government closest to the people. 97 Having once seemed on the wrong side of history, Thatcher’s concerns now appear to have been vindicated.

VIII. Thatcher’s Legacy

Assessments and opinions on Margaret Thatcher vary markedly. Attempts to objectively measure her success and popularity by economic indicia and polling data yield conflicting results. The attempt is treacherous in any event: we cannot know what the situation would look like if Thatcher had not been elected (though Britain by anyone’s standard was in a debilitating downward spiral at the time), and with the success of any policy come rising expectations that grow ever more difficult to fulfil. Yet by any measure, Thatcher’s tangible achievements were substantial; and even more significant are the ways in which she fundamentally changed British society.

The economic advances wrought during the Thatcher years were impressive. The top income tax rate was reduced from eighty-three to

95. Id. at 303.
96. In 1990, she vehemently attacked a European Commission report on agricultural policy, which led one of her closest advisers, Sir Geoffrey Howe, to resign from the Cabinet, and emboldened Michael Heseltine to announce a challenge to Thatcher’s leadership. Id. at 300. From the emerging conflict, John Major replaced Thatcher as prime minister.
97. For an analysis of these developments, see CLINT BOLICK, EUROPEAN FEDERALISM: LESSONS FROM AMERICA (1994).
forty percent; the basic rate from thirty-three to twenty-five percent.98 Public spending as a percentage of Gross Domestic Product decreased from forty-four percent to less than forty percent, and annual growth in manufacturing productivity increased at double its previous rate.99 The share of the economy attributable to nationalized industries fell from nine to less than five percent.100 Industrial output in major firms—e.g., British Steel and British Coal—more than doubled from 1980 to 1990.101 The number of working days lost to strikes plummeted to just over one-quarter the rate in 1979.102

Most significantly, important structural changes permanently altered the relationship between individuals and the state. By early 1991, over fifty percent of the public industrial sector had been transferred to the private sector, moving 650,000 workers from public to private sector enterprises, in which ninety percent were now shareholders. Overall, nine million people, twenty percent of the population, were now shareholders—nearly triple the percentage of the pre-Thatcher years. Nearly one and a quarter million public housing units were sold to private owners, most of them former renters.103

This transformation has been essential to the Thatcher Revolution's endurance. As Madsen Pirie observes, “The crucial difference between Margaret Thatcher and Ronald Reagan is that Thatcher built into her reforms the support mechanisms to maintain them.” He explains:

In privatizing the state housing, she gave millions of people the chance to own their own homes, which the Labour Party wasn’t going to confiscate from them again. And in reforming education she did it on the basis of parental choice, and once they’ve got that choice, nobody was going to take it back.104

Likewise, the Labour Party has recanted its blind obedience to labor unions and its support for nationalization of industry.105 Under its new leader, Tony Blair, the party in April 1995 deleted from its charter a 77-year-old commitment to “common ownership of the means of production”

98. *A Singular Prime Minister,* supra note 4, at 19, 20.
100. Marsh, *supra* note 74, at 463.
101. *To the Victor,* supra note 87, at 17 (chart). Note, however, that British Steel was privatized in December, 1988.
102. *Id.* at 18 (graph).
104. Madsen Pirie, *supra* note 73.
in favor of equality of opportunity within "the enterprise of the market and the rigor of competition."\textsuperscript{106}

By casting her mission not only toward particular reforms but also as a moral crusade, Thatcher not only destroyed socialism, but also largely purged it from the hearts and minds of the British people. As Letwin summarizes it, Thatcherism "changed the conception of what is true, what is possible and what is desirable."\textsuperscript{107}

Still, Thatcher left intact major parts of the welfare state, particularly the national health service. Even so, an important part of her legacy is the emerging group of Conservative leaders determined to move the revolution forward, taking the Thatcher years as merely the starting point. In the works are privatizations (such as railroads, nuclear power, and the postal service) that were not even considered during the Thatcher years,\textsuperscript{108} and even health insurance and other icons of the welfare state are in the sights of more ambitious strategists. Lady Thatcher is no longer prime minister, but her revolution endures.

Conclusion: Lessons of a Revolution

Much of what Thatcher achieved is attributable, of course, to a unique confluence of time and events, and to her rare leadership qualities. Yet many of the strategies and insights of the Thatcher Revolution are transferable to other times and places. I present here my thoughts on some of the key lessons, beginning with the most important one: Thatcher demonstrated that ideas matter profoundly. Margaret Thatcher's talent was not as an intellectual, but rather in recognizing good ideas and applying them to contemporary problems.

Thatcher distilled these ideas into simple themes that she repeatedly sounded; around these themes she built popular support, often reaching across class lines to do so. Constant reference to a clear and coherent agenda provided both the basis of a governing mandate far more potent than her parliamentary majority and the standard against which to measure policy choices and their success. She coined an acronym, TINA—"There Is No Alternative"—which placed her critics on the defensive.\textsuperscript{109} Throughout her dozen years as prime minister, Thatcher sought continually to extend the frontiers of her philosophical revolution through

\textsuperscript{107} LETWIN, supra note 4, at 309.
\textsuperscript{109} \textit{See} YOUNG, supra note 3, at 153.
the development of new ideas.

From a political perspective, Thatcher demonstrated that adherence to principle is sometimes more pragmatic than what is perceived as short-term expediency. Thatcher’s experiences during the Heath government demonstrated, as she puts it, that “the very policies adopted as concessions to reality were also the least successful.” Pressed to engage in a U-turn in the face of dire economic conditions, Thatcher refused, persisting in the course she believed right. Unlike most politicians, Thatcher understood that her government was not an end in itself, but a means to a greater end. Ultimately, time proved her judgments correct, and—unlike prior governments that succumbed to pressure—she was ultimately rewarded with successive victories at the polls. Sound principle and good politics are not mutually exclusive.

Thatcher also constantly re-invested her political capital. In contrast to George Bush, who seemed content to coast on his ninety percent approval rating following the Persian Gulf war, Margaret Thatcher invested her capital from the Falklands war into an ambitious domestic agenda. Bush allowed his capital to fritter away, while Thatcher used hers to reap long-term dividends.

In terms of economic policy, Thatcher demonstrated the efficacy of low taxes, private enterprise, deregulation, and competition. Even more significantly, though, she understood that the most important policies are those that affect the relationship between the individual and the state. The essence of the success of Thatcherism, I believe, is this: it dramatically expanded the stake of the British people in freedom.

Politicians on the left generally have been more adept at exploiting the tactic of changing the relationship between the individual and the state. Before Thatcher, Labour governments aggressively pursued (and Conservative governments acquiesced in) efforts to give people a vested interest in ever-expanding government. Similarly in America, Bill Clinton ran on a platform consisting of such initiatives as national health insurance, national service, and industrial policy—all which would have the result of making people and enterprises more dependent on government. Once created, these dependencies are not easily reversed.

Yet Thatcher recognized that sometimes special interest groups grow so large that their interests become either too diffused or too narrow, separating them from the people they purport to represent. When this happens, they are vulnerable to being pried apart. The unions in Britain were a marked example: at their apex, they encompassed fifty-five percent of British workers, allowing them to cow politicians into submission by

110. THATCHER, supra note 11, at 13-14.
threatening their electoral demise. At the same time, though, their tactics of labor unrest and constant demands for wage increases led to unemployment, disruptions in essential services, and a diminished overall standard of living. Thatcher recognized this and spoke directly to British workers, appealing both to their dignity and economic self-interest. Many of them abandoned their union bosses, enough to confer upon the Conservatives a governing majority and a mandate for change.

In practice, Thatcherism consisted mainly of curbing inflation, curtailing the extra-legal power of unions, cutting taxes, and deregulating and privatizing industry. Each of these dimensions of Thatcherism transferred power from government or unions to private individuals. In America, while we do not have the problems that confronted Margaret Thatcher—union power generally is fairly limited, taxes are not as high as elsewhere, and we have few nationalized industries—nonetheless, similar solutions may prove availing. We do have a voracious Regulatory Welfare State that shackles entrepreneurship and creates perverse economic incentives. Moreover, Americans are dependent upon government in subtle yet profound ways. Candidates for privatization or increased competitive influences might include public schools, the postal service, Medicare, numerous local government services, and—political heresy!—even (or perhaps especially) Social Security.

Finally, there is Thatcher's emphasis, almost alone among modern political leaders, on the rule of law as the prerequisite for a free society. In Britain, she applied this principle to bring within the bounds of the law the unions and large corporations that had governed the country over beer and sandwiches at Number 10 Downing Street. We in the United States ought to apply those same boundaries to the state itself, making it live within its assigned parameters. Britain does not have a written Constitution, and thus it takes a powerful, dynamic, and radical government to restore lost liberties; in America it is more a matter of reasserting and revitalizing constitutional limitations, thereby re-establishing greater protections for individual autonomy.111

It is ironic that the nation from which America secured independence more than two centuries ago can today teach us so much about revolution and freedom. It is a powerful testimony to the leadership of Margaret Thatcher and the majesty of her revolution that such lessons can be drawn.